

*Thos. Grey Jr.*

A  
**LETTER**

ADDRESSED TO

**DAVID RICARDO, ESQ. M.P.**

ON THE

TRUE PRINCIPLE OF ESTIMATING

**THE EXTENT**

OF THE LATE

**DEPRECIATION IN THE CURRENCY;**

AND ON THE

**EFFECT OF MR. PEEL'S BILL**

FOR THE

**RESUMPTION OF CASH PAYMENTS BY THE  
BANK.**

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**BY THOMAS PAGET, ESQ.**

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# LETTER

DAVID BECARDO, ESQ. M.P.

A LETTER

TO THE MEMBERS OF PARLIAMENT

ON THE

STATE OF THE BANK OF ENGLAND  
IN THE YEAR 1845  
AND  
ON THE  
STATE OF THE BANK OF ENGLAND  
IN THE YEAR 1846

BY  
DAVID BECARDO, ESQ. M.P.

BY THOMAS BAKER, ESQ.

OF THE  
BANK OF ENGLAND

LONDON: PRINTED BY J. JOHNSON, ST. PAUL'S CHURCH-YARD, 1845.



## A LETTER, &c.

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“ WOULD not the effect of a reduction of the issues of the Bank be a farther reduction in the prices of commodities?—I should certainly expect so, because I consider a reduction in the amount of Bank paper to be raising the value of the medium in which those commodities are estimated.

“ Explain in what degree you think it would take place.—I should think to the amount of *five* or *six* per cent. I measure it by the extent of the excess of the market above the mint price of gold.

“ Might not the reduction of prices to the amount of five per cent. be particularly embarrassing if it took place at a period when there appears to have been so great a reduction of prices in consequence of other causes, namely, the excess of speculation, and the stagnation resulting from that?—An alteration in value of five per cent. does not appear to me very formidable; but of this matter I do not profess to *know*

*much* ; I have had very little *practical* knowledge upon these subjects.

“ Do you consider the difference between the market and the mint price of gold to be the criterion of the depreciation of Bank notes?—  
—Strictly so.”

See the examination of David Ricardo, Esq. M. P. before the Secret Committee of the House of Commons, on the expediency of the Bank resuming cash payments.—5th April, 1819.

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TO DAVID RICARDO, ESQ. M. P.

SIR,

IN consequence of the very strong and decided opinion which you have expressed in the answers above extracted from the evidence taken by the Secret Committee of the House of Commons, on the expediency of resuming cash payments by the Bank, I take the liberty of addressing to you the few following observations, upon what appears to me the unfortunate, I may say fatal error, of taking the price of bullion as the index of the *extent* of the depreciation in the currency. I am fully aware of the very high reputation you have for a



length of time enjoyed upon subjects of political economy; it is therefore with feelings of the greatest deference and respect, and not without the most urgent inducements, that I venture to submit to you the facts and reasonings, which have led me to conclusions very different from those at which you have so confidently arrived, and which induce me to think that nothing can be more erroneous or mischievous, than to take the price of gold as the basis on which to form this important calculation. The act, commonly called Mr. Peel's Bill, could never have been passed in the manner it was, but for this great mistake, and I verily believe this fatal error could never have enjoyed the currency it has received, but for the sanction of your high reputation. Nothing, however, but the ruin and desolation that act is rapidly spreading around us,—perfectly unexampled in this, or I may truly say in any other country—could have induced me to raise my feeble voice in endeavouring to stem the dreadful torrent, and if possible to avert those additional evils, ready to burst from the yet unexhausted storm upon our unsheltered and totally defenceless heads. For your general theories of Political Economy, though a mere practical man myself, I entertain the highest respect, and the admission you make in your answers before the Secret Committee of the House of Commons, which I have prefixed

to this Letter, will, I hope, excuse in your eyes the boldness of a man without pretension, offering to you his *practical* observations upon a subject so important as that of ascertaining a scale by which the late fluctuations in the currency may be most accurately graduated. I trust, at all events, that the statements I shall make will ensure a moment's reconsideration of the subject, and I entertain that high estimation of your candour, as to believe you will afford my deductions the chance of your examination.

That a great depreciation has existed in our currency is now universally admitted;—that this depreciation has arisen entirely from the *extended* issues of paper by the Bank of England and by country bankers, is equally allowed by yourself and other bullionists---nor will it be denied at present by any man, that the variations in the quantity of these issues, have varied the value of our money, and have had the practical effect of altering, from time to time, the quantity of the precious metal contained in our nominal pound sterling; or, in other words, in the legal tender of the land. That these variations have proceeded to a most lamentable and ruinous extent, we have, at different times, nearly all of us felt, in our various concerns; and when the time is at hand, appointed by the legislature, for all existing contracts to be fulfilled according to the full amount and exact limit of the ancient



standard of value, we of course become anxious to understand the spirit, as well as the future legal nature of our engagements, and this anxiety becomes more intense as each day's experience teaches us the tremendous consequences of this approaching reckoning.

Circumstanced as every individual must be in a multiplicity of pecuniary engagements, public or private, knowing the rate at which these engagements must be fulfilled—from a love of truth, of justice, and self-satisfaction, it becomes a matter of the greatest interest to ascertain, in the midst of this general confusion, some scale by which the depreciation in our money ~~at different periods of time~~, may be most accurately measured; a scale which shall show the justice or injustice which has been done to us, and point out the real nature of our contracts, and the just amount of our debts, formed at distant periods of time. In any state of society this would be an object of interest; but loaded as we are with a public debt of 800 millions of money, it becomes a question of paramount importance.

The scale, Sir, which you and the bullionists of 1810 point out to us, to effect the foregoing very important purpose, is the amount of variation which has at different periods of time, during the course of the Bank restriction act, existed between the mint and the market price of gold. This, as fully appears from your evi-

dence before the Committee of the House of Commons, you consider as the most exact measure, as the sure and unerring index of the extent of the depreciation in the value of our money at any period of time. Five per cent. advance in the market price of gold, you state to indicate the same amount of depreciation in our currency, and that the extent of the depreciation cannot exceed the amount so shewn.

In adopting this index, it appears to me, two most important things, the ground-work, in fact, of the whole theory, are assumed, both of which I cannot but think are founded in palpable error. 1st. That the market price of gold represents the real value of the paper money, or, in other words, that the *whole* paper currency of the country could at any point of time have been converted into bullion at the market price of gold. That this could never have been effected is very evident upon the slightest reflection. The great and sudden rise which took place in the market price of gold at the latter end of the peninsular war, but more especially when Buonaparte escaped from Elba, without any corresponding increase in the paper issues, proves beyond doubt that a comparatively slight demand for gold, or even the expectation only of a demand for foreign purposes, was sufficient to raise the price full 25 per cent. or from 4 : 6 to 5 : 6; what then, let me ask, would have been



the effect, had a real demand existed for one-twentieth part only of the full amount of our then paper money? The fall in this latter instance, after that expectation had ceased, was as rapid as the rise, and both perfectly independent of any alteration in the paper issues.

2dly, It is assumed that the market price of gold certainly and necessarily varies with every alteration in the quantity of the inconvertible paper money. That this position is not only not consonant to fact, but that it is in open and plain contradiction to the history of the Bank issues, and the market price of gold, is most apparent. In proof of this, I beg to call your attention to the following abstract of that account:

		£. s. d.				
1797	March.	Gold	3	17	6...Bank Issues	8,601,964
1798	..	..	4	0	0 ..	12,850,085
1799	..	..	4	0	0 ..	12,636,145
1800	..	..	4	5	0 ..	15,236,676
1801	..	..	4	2	6 ..	16,577,514
1802	..	..	4	3	6 ..	15,458,876
1803	No Price.					
1804	..	..	4	0	0 ..	17,577,352
1805	..	..	4	0	0 ..	17,234,466
1806	No Price.					
1807	No Price.					
1808	No Price.					
1809	..	..	4	10	0 ..	18,014,677 .95.
1810	No Price.					
1811	..	..	4	16	0 ..	23,384,833 110

			£.	s.	d.		
120.	1812	March.	Gold	4	16	0...	Bank Issues 22,998,197
120.	1813	..	..	5	3	0	.. 23,307,471
100.	1814	..	..	5	10	0	.. 25,095,415
90.	1815	..	..	4	14	0	.. 26,673,370
70.	1816	..	..	4	2	0	.. 25,680,069
80.	1817	..	..	3	18	6	.. 27,058,578 = 141.
85	1818	..	..	4	1	0	.. 28,279,043
	1819	..	..	4	1	0	.. 25,947,637

In this statement I can find no necessary correspondence, and but little real, between the market price of gold and the issues of the Bank; nor is it possible for a moment to imagine that this correspondence can be interfered with by the issues of the country banks, as it is ascertained beyond dispute that when the Bank of England issues have been most extended, such has also been the case with the issues of country bankers. I beg you then, Sir, particularly to observe, in the foregoing account, that the *lowest* price of gold, subsequently to the Bank Restriction Act, a price not equal to 2 per cent. advance, was in the year 1817, when the Bank issues were at £27,058,578, the *highest* point excepting one in the whole series. When at the highest, in 1818, £28,279,043, gold was only at 4l. 1s. or 5 per cent. above the mint price.—When gold was the highest, in 1814, at 5l. 10s. the issues were only at £25,095,415, and the price of gold was higher in 1798, with an issue of



£12,850,085, than in 1817, with an issue of £27,058,578.

I know not, therefore, any proposition which can be more indisputably proved, than the following:—either that increased quantity of currency is not the cause of depreciation, or that the market price of gold, when compared with the mint price, affords no index of the extent of the depreciation. There can exist no difficulty, which of those two assertions to reject.

In a letter, which I took the liberty of addressing to Sir Francis Burdett, in February last, upon the sentiments he expressed similar to your own, in presenting the Westminster petition, I endeavoured to show that the market price of gold has not been regulated by the paper money, as maintained by you and the bullionists of 1810, but altogether by the rates of exchange; and if you will take the trouble to inspect the prices of gold and the rates of exchange, you will find a correspondence very little interrupted, and if ever, probably easy of explanation.—I endeavoured to show that a great disorder may have existed in our currency, without its being apparent in the exchanges, or consequently in the price of bullion, and when this disorder was so shewn, it might be seen only in an inconsiderable degree. I pointed out those circumstances which have, in my opinion, had this influence upon the rates of exchange, and which, to my mind, satisfactorily

account for the undoubted fact,—that the exchanges may be at par, the mint and market price of gold agree, and yet a great artificial depreciation exist in the currency of the country.

In seeking then, Sir, a scale whereby the late depreciations in the currency may be somewhat more accurately measured than by that afforded by the difference in the mint and market price of gold, I shall beg to throw out of view all immediate reference both to the increased quantity of the currency and the market price of gold;—the first, because it is impossible to ascertain it with sufficient accuracy for any precise purpose of this kind, and the second, because gold evidently has not obeyed that general law of price, which has affected all other commodities, of rising in proportion to the increased quantity of money in circulation, or, in other words, to the extent of the depreciation in the currency.

The *inevitable* result of a depreciated currency is to raise prices of commodities *generally*,—if this rise take place over the whole civilized world, the depreciation must then be natural, and though the derangement and injustice it occasions is deeply to be deplored, the result is unavoidable,—but if this rise take place in one country only, and the rest of the world undergo no material change,—the depreciation or rise in prices is then as certainly artificial.

In the reign of Elizabeth we have a striking



instance of the first, and in our own times, and in our own country, as striking an instance of the latter.

In attempting to measure the depreciation which took place during the reign of Elizabeth, the plan to be adopted is plain and easy, and the result to be attained sufficiently accurate for all practical purposes.—If we take a list of the prices of the common necessities, comforts and conveniencies of life at the beginning of that reign, and compare this list with a similar one drawn out at the end of the reign, the difference will shew pretty accurately the diminished value of the money.—This is the plan uniformly adopted in such inquiries, and is the only practical means, so far as I am acquainted with such subjects.—I beg, Sir, to ask why this same rule may not be adopted in our own case, and under our own circumstances? why, instead of these simple and easy means, so much should have been said and written, about Bank and country issues, which never can be accurately ascertained, and the price of gold, which, *Bank notes being made legal tender*, is an article of no common use or necessity, and the price of which has frequently remained perfectly stationary, when every other commodity has risen full one hundred per cent.?

In adopting a scale of this kind, I have, of course, been anxious to select such data as shall give the clearest view of the general rise in

prices, and, at the same time, afford the least possible field for objection ; I have therefore avoided all taxed articles, and as my results differ so widely from your own, which carry such high authority with them, I have been studiously careful, if I err, to do so on the side of under rather than over estimating the extent of the depreciation, and I have no hesitation in saying, that debtors would be greatly injured, even if the scale I shall point out, should be adopted in the adjustment of long standing accounts.

For the purpose I have in view then, I shall avail myself of the return made to the Committee of the House of Commons of the contract prices for provisions and labour, entered into yearly at Greenwich Hospital, which appears to me to furnish a document as unexceptionable, so far as the creditor is concerned, as it is possible to obtain. In this return I shall take the prices of the year 1790, as the basis of my calculation, as what may be called the mint price of the items quoted. I fix upon the contracts of that year, because they are upon the average rather higher than any which precede them. I prefer the return of an hospital, because the provisions are probably such as furnish subsistence to the great mass of the people, and yet do not include those superior articles of food, which may possibly be supposed to have been raised in price by the increased wealth and luxury of the middle and higher orders of



society.—In the nine items chosen, I have taken five of provisions, and four of labour, because it is generally admitted that the wages of labour are last to be raised under such circumstances, and seldom entirely keep pace in price with articles of food. The contracts being made yearly, adds much to the simplicity, the ease and truth of the calculation, and being all derived from the same source, and probably conducted in the same manner, a more fair comparison of prices cannot well be imagined, so far as the interest of the creditor is concerned.

### ROYAL HOSPITAL, GREENWICH.

*An Account of the Contract Prices of the following Articles of Provisions,  
 &c. for the several Years respectively mentioned.*

	Flesh, per Cwt.	Flour, per Sack.	Butter, per lb.	Cheese, per lb.	Oatmeal, per Bush.	Car- penters, per Day.	Brick- layers, per Day.	Ma- sons, per Day.	Plum- bers, per Day.	Aver- rise per Cent.
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	
1790	36 10	43 4	0 6½	0 7½	5 3	2 8	2 4	2 10	3 3	
1805	60 4	82 3	0 11½	0 7½	13 0	4 6	4 10	5 0	4 6	50
1806	61 0	69 7½	0 11½	0 7½	10 3	4 6	4 8	5 0	4 6	70
1807	63 0	63 8½	1 0½	0 7½	9 4½	5 0	4 8	5 0	4 6	75
1808	63 0	69 10½	1 0½	0 7½	10 10	5 0	5 0	5 0	4 6	80
1809	66 6	85 1½	1 1	0 8	11 9	5 4	5 1	5 1	5 3	95
1810	72 0	88 4	1 1½	0 8½	11 7	5 8	5 2	5 3	5 9	100
1811	74 0	91 0	1 2½	0 8½	11 6	5 6	5 5	5 9	5 9	110
1812	78 0	107 5	1 3½	0 8½	13 3	5 6	5 5	5 9	5 9	120
1813	85 0	93 0	1 3	0 8½	13 3	5 6	5 5	5 9	5 9	130
1814	74 6	70 6	1 2	0 8½	10 4	5 6	5 5	5 9	5 9	100
1815	68 0	44 9	1 2	0 8	10 3	5 6	5 1	5 9	5 9	90
1816	51 4	64 1	0 9½	0 6½	9 2	5 2	5 1	5 3	5 5	70
1817	51 4	86 4	0 8½	0 5½	13 9	5 2	5 1	5 3	5 9	80
1818	59 0	65 11	0 11	0 6	13 6	5 2	5 1	5 3	5 9	85

It is unnecessary to remind you, Sir, that Dr. Adam Smith took great pains to ascertain whether the currency, from the year 1640, until the time at which he wrote, in 1770, had increased in value, or had depreciated, and after a strict

examination and comparison of price, in some measure similar to the plan now adopted, he concluded that money had increased in value. From 1770 to 1790, I am not acquainted with any circumstances which could have altered that tendency in the currency, naturally to advance in value, which he satisfactorily proves to have existed for 130 years prior to the year 1770; yet, upon a comparison of the contracts of 1790 with those made at former periods, it is very evident that a general rise in prices had already taken place. This rise I cannot but attribute to an artificial depreciation, which had already begun to shew itself, from the more general introduction, about that time, of the banking system, founded upon a paper currency. It is therefore not impossible, nor indeed improbable, should a metallic currency be again fully established, that prices may go considerably lower than those of 1790. This portion of the depreciation of the currency, you are aware is entirely omitted in my calculation.

As I before remarked, I have altogether omitted taxed articles. I beg to observe that I have not done so, from any conviction that such articles should not have been included in the averages, shewing the general rise in prices, and the consequent depreciation in the currency; I think, for the purpose of forming a perfectly fair estimate, they should have been introduced,



and had that been the case, the averages would have come out considerably higher. I omitted them, because it was my wish that no disputable ground whatever, on the part of the creditor, should exist in the scale I intend to propose. The same remark applies also to articles of luxury, entirely excluded from this calculation, and the introduction of which would have had a similar effect.

It has been asserted, that taxation of itself must raise prices generally, but this opinion must be founded in error ; prices can be permanently and generally raised by no other means than a depreciation, natural or artificial, in the currency. The effect of taxation, the currency remaining unaltered, is to raise the price of some articles, and to lower others. That taxation must inevitably raise the price of certain articles, is admitted, such as salt under the late enormous impost ; but the 15s. per bushel laid upon that necessary of life, would either check the consumption, and so keep down in part the price, or draw the extra money unavoidably laid out upon it from some other article not so essential to the comfort of life.

I conclude, therefore, and I think fairly, that the scale which I now exhibit of the value of the pound sterling, in the undermentioned years, founded upon the foregoing contracts, is very considerably above the real value of it, and that

so far from any exaggeration in the extent of the depreciation, I have in fact greatly understated it.

			Value of the Pound sterling.	s. d.	
				20	0
1790					
1805	Rise in prices per cent. }	80	ditto	11	1
1806	ditto	70	ditto	11	9
1807	ditto	75	ditto	11	5
1808	ditto	80	ditto	11	1
1809	ditto	95	ditto	10	3
1810	ditto	100	ditto	10	0
1811	ditto	110	ditto	9	6
1812	ditto	120	ditto	9	0
1813	ditto	120	ditto	9	0
1814	ditto	100	ditto	10	0
1815	ditto	90	ditto	10	6
1816	ditto	70	ditto	11	9
1817	ditto	80	ditto	11	1
1818	ditto	85	ditto	10	9

Not having access to the Greenwich Hospital contracts, in a regular series prior to 1805, or farther down than 1818, up to which time they were returned to the Committee of the House of Commons, I have it not in my power to complete the table, prior to the first mentioned date, or beyond the latter year. It was in the spring of 1819, your examination before referred to took place, and when Mr. Peel's Bill was passed by the legislature. At that time the state of the currency, estimating the depreciation by the following articles, which certainly form no unfair criterion, appears to have been as stated in the following average.



*Average Prices of Grain per Quarter in England and Wales.*

	Wheat.		Barley.		Oats.		Beans.		Pease.	
	s.	d.	s.	d.	s.	d.	s.	d.	s.	d.
1 Jan. } 1792 }	42	4	27	2	17	0	31	8	32	10
1 Jan. } 1819 }	78	10	63	6	35	1	72	3	70	9

Average rise, 110 per cent.

Value of the pound sterling, 9s. 6d.

Such was the value of the pound sterling estimated in produce at the time of the introduction and passing Mr. Peel's Bill, which notwithstanding the existence of a debt of 800 millions, an annual taxation of 50 millions, poor rates, county rates, &c. not less than 10 millions in addition, enacted that the pound sterling thus depreciated, should, in the course of three years, be raised to the full extent of 20s. in the pound.

I beg again, Sir, to repeat, that I entertain the most profound respect for the general theories of political economy, professed by yourself and the gentlemen on either side in politics, who have assisted in bringing this measure about; but whether your theory or mine be correct, the truth of the practical result will be testified by millions of ruined farmers, merchants, manufacturers, and tradesmen, in every part of the kingdom, who have had to pay old debts and existing imposts, with at least double, and in

many instances even three and four times the quantity of property which those debts and imposts would have required to satisfy them prior to the year 1819. I know not, Sir, whether you are one of those modern philosophers, who in the year 1818, under the extension of the paper system, and consequent high prices, told the complaining manufacturers, that they multiplied too rapidly for the means of subsistence, and voted in parliament the money of the country, to export our scientific artisans, and our industrious labourers, to the inhospitable and scorching shores of Africa, willing exiles from their native and beloved country, through want and wretchedness;—I know not, Sir, whether again you were one, who, in less than two short years, under the contraction of the paper system, and consequent fall of prices, insultingly told the producers of human food, that their industry was their curse,---that the blessings of Providence were the cause of their misery, and over-production the source of their multiplied evils and distresses,—the correction of which could only be effected by the decimation of the farmers of the United Kingdoms,—and yet, almost before the breath which had sent forth this blasphemous accusation had cooled upon the lips of those who uttered it, we witness one of the most afflicting instances of famine within the very bosom of the empire, of which there is any



record in the history of civilized times;—I repeat, Sir, I know not if you are party to these sublime theories of political economy; but none even of these, which will live for ever, the scorn, the abhorrence, and the wonder of mankind, are more absurd, nor indeed more remote from truth, nor more mischievous, than the theory that the market price of gold has been a true and exact index of the depreciation in our currency, and that a return to the old metallic standard could derange the fabric and relations of society to an extent not exceeding five per cent.

It is impossible here to trace the influence of this measure in all its bearings upon the complicated interests of society; but so far as this wild system of currency has operated upon the creation of the present burden of the national debt, we may form some imperfect conception from the following calculations, founded upon the value of the pound sterling, and the prices of stock in those years in which the largest expenditure was going on, and in which therefore the largest loans were raised. It is not in my power to procure the exact terms upon which each loan was contracted, in the under-mentioned years; but as the loans were generally raised in the spring, and it is well known a considerable profit was invariably allowed to the contractors upon the price of stock at the time, if we take the price of 3 per cent. consols, in the month of May in each year, we shall arrive at data suffi-

ciently accurate" for the purpose of estimating the terms upon which a very large portion of the debt was originally raised, and the present and ultimate gains of the national creditor arising from these unprincipled fluctuations in the value of our money. Let the landlord and the farmer, but above all the labourer, who is most materially concerned, contemplate the following calculations, and if there be any material error in them, I trust to you, Sir, before whom I take the liberty to lay them, as the first authority, to point it out. Stript of all sophistry, taxes of what nature soever proceed from the labour of the people; one hundred pounds consols is in plain language a certain annual portion of the toil and sweat of the English labourer. Let the people of England then perfectly understand for what sort of valuable consideration this power has been given to the stockholder over their industry, their strength, their comforts, and their happiness.

	Price of Consols.	Value of the Pound Sterling.		Real Money at 20s. the Pound Sterling, advanced for £100 Consols.		
		s.	d.	£.	s.	d.
1805 May	58	11	1	32	2	10
1806 —	60	11	9	35	5	0
1807 —	63	11	5	35	19	3
1808 —	66	11	1	36	11	6
1809 —	67	10	3	34	6	9
1810 —	70	10	0	35	0	0
1811 —	65	9	6	30	17	6
1812 —	61	9	0	27	9	0
1813 —	58	9	0	26	2	0
1814 —	66	10	0	33	0	0
1815 —	57	10	6	29	18	6



Average money actually lent for each £100, 3 per cent.

Consols, in the above 11 years, £32 8s. 4d.

Gain at the present price, 80, £47 11s. 8d., or £146 per cent.

Gain when paid at par, £67 11s. 8d., or £208 per cent.

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Thus stands the account with a large proportion of the stockholders. The statement of the farmers' concerns in the mean time exhibits a very different result.

Supposed amount of capital in May, 1819 £5,000

Reduction by alteration in the value of

money	-	-	-	2,625
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£2,375

From which must be deducted two years' loss of rent and taxes, which, in the most favourable instances, will go far to extinguish his property. I beg you to bear in mind, that great as the scale now laid down shews the depreciation in the currency to have been, it is considerably exceeded by the practical result in the real fall in price of *all* articles of farming produce, and for which I can discover no other adequate cause than Mr. Peel's Bill for the Resumption of Cash Payments by the Bank.

In adopting the measure of resuming cash payments, *under the burden of existing debts and imposts*, the government appear to have taken the exact admeasurement of the extent of the

depreciation from yourself and the bullionists of 1810: but the gross misrepresentations which were advanced at times in support of the measure are truly astonishing, and such as it is difficult to imagine could impose even upon the country gentlemen, whom, upon this occasion at least, it appears so easy to blind to the loss of their fortunes and consequence. Mr. Peel, the ostensible father of the bill, after having, in the whole of his former political life, advocated and supported the impolitic, the unjust, the infamous measure of 1797; after having joined in all those numerous laws which for upwards of twenty years guarded with such scrupulous severity any inroad upon that dreadful system of currency, by the introduction of the fair plan of establishing two prices, a money price and a paper price; after men had been actually brought to trial for having bought and sold Spanish dollars in the way of merchandise, and after having concurred in those memorable resolutions of the Chancellor of the Exchequer, vouching for the purity of the currency, which directly contradicted the plain and palpable evidence of every man's senses, and which appear to have been penned purely for the purpose of exhibiting to Europe and posterity to what a state of perfect prostration and weakness the human mind could be reduced in the 19th century; after all this, and much more, without any notice being given to the country, without



the least new light having been thrown upon the subject,—he and the government introduce a bill, by which the monetary system, which had existed and been cemented by the most violent means, for upwards of twenty years, was at once overturned and reversed,—every assertion made during that space of time contradicted and falsified, and that department of government, which above all others is the most sacred and important, trifled with and altered in a manner which I venture to affirm is perfectly unexampled in the history of mankind. Amidst the variety of topics in which Mr. Peel evinced his conversion and his learning in his introductory speech, not the least remarkable were his allusions to the history of his country; he dwelt with peculiar delight upon similar measures adopted in the reigns of Edward the Sixth, Elizabeth, and William the Third. Of the conduct of Elizabeth in this respect, he spoke in terms of unbounded praise, dwelt upon the splendour and happiness of her reign, arising chiefly from the sacred manner in which she had guarded the purity of her money,—“*evoked*” her spirit, praised the justice and honour of her monetary system, and, to crown all, quoted her Latin epitaph, in undeniable proof of the accuracy of his own knowledge upon the subject, and the queen’s virtue in this respect. How you, Sir, must have scorned such application of misquoted history in your

neophyte, when it is known to every schoolboy that the reign of Elizabeth was a reign altogether of uncorrected depreciation, both natural and artificial; that it affords by far the greatest instance of the first in the history of the world, and that in addition to the natural she even added artificial depreciation to the standard of her coin. It is true that in the second year of her reign she advanced the value of her currency, but it was only in the trifling and unfelt proportion of 1 to 88; whereas in the latter end of her reign, in addition to the enormous natural depreciation which had taken place, she actually lowered the standard of value in the proportion of from 89 to 86, and so it remained uncorrected and unaltered until the year 1797, the date of the Bank Restriction Act. Though perhaps a little more truth, there was no more analogy or application in Mr. Peel's other historical allusions, than in that to the reign of Elizabeth. He appears to have taken up his new opinions with as little information as that on which,---either to his honour, or to his everlasting dishonour,---he confessed he had so long held his old,---and it is into such hands that the destinies of this wretched country are committed in a department of the government with which the interests of the people are more closely and more intimately connected than with any other.



Mr. Alexander Baring supported the harmlessness of the resumption of cash payments under present burdens and existing imposts, upon no less authority than that of David Hume, and as this argument makes a great figure, not only in the evidence, but is actually embodied in the substance of the Report itself, and appears to have had great influence with the Committee, the House, and all the advocates of the measure to the present day, I must entreat your patience whilst I expose the gross ignorance or shameless misrepresentation in the use of it.

Mr. Hume, in considering the mere circumstance of the advantage or disadvantage of an extended or contracted currency, very justly remarks that in itself it is a matter of perfect indifference to the prosperity of a nation, but that the increase or decrease of it *in transitu*, must inevitably be attended with great consequences,—that after a rise or a fall in the value has taken place, and it has again become stationary and steady, whether it has risen or fallen, whether it has increased or diminished, can be of little consequence to the pursuits of industry and happiness.

In this discussion it is perfectly apparent that Mr. Hume is considering the subject entirely apart from *debts* and *taxes*, and that it would be the very last proposition which Mr. Hume would maintain,—that an alteration in the cur-

rency was of no consequence to a people, which should add only five per cent. to a debt of 800 millions, and to an annual impost of 60 millions of taxes; much less would Mr. Hume advocate a change in the currency which under such a debt and such taxes should sink the value of all property at least one half, or double the amount of debt and taxes. Our enormous debt and taxes rendered Mr. Hume's Essay entirely irrelevant of the question, for no man in his senses could maintain that it is a matter of indifference to a people, what the value of their money shall be under burdens and imposts to such an extent.

Such, Sir, have been in general the nature of the statements and arguments brought forth in support of the unqualified adoption of this measure; the debt and taxes appear to have been studiously kept out of sight by the great promoters of the Bill, with what view I leave the country gentlemen and landed proprietors to determine; though by far the most important subject for consideration at such a moment, they are not, I believe, even mentioned in that voluminous Report.

Be assured the year 1819 will form a new era in the history of our country. The burdens which were so adroitly fitted to our backs during the time the standard of value was in complete abeyance to the minister of the day, and



when, in point of fact, I firmly believe the pound sterling was reduced much lower than 9s. in the stead of 20s.; these imposts, Sir, will be found to effect a revolution at which the old proprietors of the soil will indeed be astonished, and which, if it were in the nature of things possible to perpetuate, would render this fertile country as barren as the sands of Egypt, and its inhabitants as wretched as those of Ireland.

We are now about nine months from the period at which full effect will be given to this measure, but we are advanced far enough to form the most accurate judgment as to its sure and ultimate results. No one in the least acquainted with country affairs can hesitate in saying, so far as the profit from landed property is concerned, it is a measure of complete confiscation: if the country gentleman have no share in the produce of the taxes, he and his family must inevitably take their places in his parish workhouse; and so far as the mass of the population of the country is concerned, it is a measure of everlasting servitude and bondage. But formidable as this may appear, if the letter of the law is to be fulfilled, even this is but the mild and softened picture of the result;—to a starving human being even a parish workhouse is a comfortable asylum, and bondage itself may for a time spare existence and some little portion of happiness; but, Sir, though I per-

ceive you deny it, I do not hesitate to maintain that the present famine in Ireland is the immediate, the legitimate, and the inevitable result of this measure of Mr. Peel, of resuming cash payments *under all the existing burdens of debt, taxes, rent, and tythe*;—push it far enough, the same result will take place also in England. With such men as they who in the course of the late system of depreciation declared by their solemn votes that a Bank note and a shilling were equal in value to a guinea, when every man had the evidence of his senses that two of the latter would purchase three of the former, it is in vain to reason; such persons, though they saw men starving in the streets, would deny that it was hunger;—but the least candid attention must, I think, convince any one of the immediate and inevitable connexion. The producer of human food in Ireland has had to pay nearly the same imposts with articles at one half or one third their former price,—the inevitable consequence must be that all he has must proceed to market,—his neighbours, nine out of ten of the population, are in the like situation; in the market there may be plenty of demand, but from the want of money, that demand cannot be effective. The tythe proctor and the king's officers are perfectly obdurate and imperative; even hunger itself is less so; another market must be found at any sacrifice, and thus the



provisions of starving Ireland have up to the present moment been sent to England, to swell what has been called also our over-production. In the very height of this famine, nine young beasts have been sent from Ireland to the most inland market in this kingdom, and sold, the whole nine, for ten pounds. As hunger itself, the sure producer of death, effects its purpose generally by the immediate agency of some disease, so this excessive poverty, working silently and unregarded, undermining the strength and support of the population, waits only for some slight unfavourableness in the course of nature to sweep away the wretched victims of this cruel system of policy. The disease naturally exhibits itself first in the weakest and poorest portion of the empire, but the result is equally certain in time in the more wealthy.

When we consider the amount of rents now unpaid in England, the unbending demands of the tax-gatherers, and the present low price of cattle in Smithfield, and corn in Mark Lane, who will venture to say that a large portion of our approaching harvest shall not be sent to the continent of Europe, to satisfy these demands? Such an effect appears highly probable, and the use which will be made of such a circumstance by the philosophers of the present day, will be, in spite of the cry of hunger and distress which

will resound from one end of the kingdom to the other, to adduce the low prices as an additional proof of the misery arising from our ill-directed industry, from the blessings of Providence and over-production; and the exports will be taken as undeniable proof of our exalted riches and perfect happiness.

The present result has not been entirely unforeseen by those who contemplated at a great distance of time the probable effect and termination of the funding system. The predictions of Lord Bolingbroke afford an interesting commentary on the events of the present day, particularly for the consideration of the country gentlemen of England, who have been duped in a manner which is perfectly astonishing.

“Few people,” says his lordship, “foresaw how the creation of funds, and the multiplication of taxes, would increase yearly the power of the crown, and bring our liberties, *by a natural and necessary progression, into more real*, though less apparent danger, than they were in before the revolution. The excessive ill husbandry practised from the very beginning of King William’s reign, and which laid the foundations of all we feel and *all we fear*, was not the effect of *ignorance, mistake*, or what we call *chance*, but of *design and scheme* in those who had the sway at that time. I am not so uncharitable, however, as to believe that they intended to bring upon their country all the



mischiefs that we, who came after them, experience and apprehend. No, they saw the measures they took singly, and unrelatively, or relatively alone to some immediate object. The notion of attaching men to the new government, by tempting them to embark their fortunes on the same bottom, was a reason of state to some: the notion of creating a new, that is a *monied* interest, in opposition to the landed interest, or as a balance to it, and of acquiring a superior influence in the city of London, at least by the establishment of great corporations, was a reason of party to others: and I make no doubt that the opportunity of *amassing immense estates* by the management of funds, by trafficking in paper, and by all the arts of jobbing, was a reason of private interest to those who supported and improved this *scheme of iniquity*, if not to those who devised it. They looked no farther. Nay, we who came after them, and have long tasted the bitter fruits of the corruption they planted, were far from taking such an alarm at our distress, and our danger, as they deserved; till the most remote and fatal effect of causes, laid by the last generation, was very near becoming an object of experience in this. Your Lordship, I am sure, sees at once how much a due reflection on the passages of former times, as they stand recorded in the history of our own, and of other countries, would have deterred a *free* people from

trusting the sole management of so great a revenue, and the sole nomination of those legions of officers employed in it, to their chief magistrate."

"Your Lordship sees not only, how much a due reflection upon the experience of other ages and countries would have pointed out national corruption, as the natural and necessary consequence of investing the crown with the management of so great a revenue; but also the loss of liberty, as the natural and necessary consequence of national corruption."

Already the state of Ireland has been palliated by a reference to the Negroes in America, the Serfs in Poland, the Slaves of ancient Rome, and the Helots of Greece; but in the picture it was forgotten that these wretched human beings have always had ostensible masters to take charge of the provision of the necessaries of life, but our poor Irish fellow-subjects, our warm-hearted, generous friends and fellow-sufferers, the most afflicted people at this moment in the world, except, perhaps, the noble-minded Greeks, have no protectors, have no poor rates to fly to, have no shield thrown over them but the eleemosynary gifts of their almost as much suffering neighbours, to save them from starvation and death. We might almost exclaim with Tacitus, when his heart sickened at the horror of his narrative, "*Sed mihi hæc, ac talia audienti, in incerto ju-*



dicium est, fatone res mortalium et necessitate immutabili, an fortè volvantur : quippe sapientissimos veterum, quique sectam eorum æmulantur, diversos reperiens, ac multis insitam opinionem, non initia nostri, non finem, non denique homines Diis curæ. Ideo creberrimè tristitia in bonos, læta apud deteriores esse."

How far this course of policy is to proceed, what is to be the measure of our sufferings, how they are to terminate, and what is to be the future fate of our beautiful and beloved country, are all problems deeply enveloped in the inscrutable decrees of a wise, a benevolent, and an overruling Providence. A thorough conviction, therefore, which no gloomy doubts can shake, that political good will ultimately arise from the immeasurable mass of political evil which now exists in the world, is the only consolation within the reach of the father of an English family ; for no man is now so elevated in rank, or so supported by wealth, as that he shall say to the storm that now rages, to the ruin that now impends, " thus far shalt thou go and no farther."

These, Sir, are the plain observations, and the honest opinions of a mere practical man, formed upon a close and a very anxious scrutiny of the course of events during the late few years ; they are intended to be laid before you and the public, with deference and respect, and if a single word shall have escaped my pen which can be

otherwise construed, I entreat you to place it to the account of an unconquerable indignation at the injustice which I feel and see to be going on around me, and to which there appears at present to be no limit.

I am, Sir,

With the greatest respect,

Your obedient humble servant,

T. PAGET.

Humberstone,  
13th July, 1822.



THE PRICE OF GOLD AN IMPERFECT INDEX OF THE  
DEPRECIATION IN THE CURRENCY.

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A

# LETTER

ADDRESSED TO

**SIR FRANCIS BURDETT, BART.**

UPON THE OCCASION OF

HIS PRESENTING THE PETITION

OF THE

INHABITANTS OF WESTMINSTER,

TO THE

*HOUSE OF COMMONS.*

---

BY THOMAS PAGET, ESQ.

THE  
OFFICE OF THE  
SECRETARY OF THE  
NAVY  
WASHINGTON  
D. C.

# LETTER

TO THE  
HONORABLE  
MEMBERS OF THE  
HOUSE OF REPRESENTATIVES

SIR FRANKLIN BUREDET, MAINT

THE  
OFFICE OF THE  
SECRETARY OF THE  
NAVY  
WASHINGTON  
D. C.

THE  
OFFICE OF THE  
SECRETARY OF THE  
NAVY  
WASHINGTON  
D. C.



THE PRICE OF GOLD AN IMPERFECT INDEX OF THE  
DEPRECIATION IN THE CURRENCY.

---

TO SIR FRANCIS BURDETT, BARONET.

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SIR,

IN presenting the Westminster Petition to the House of Commons, on the 15th instant, you are reported to have used these words, "The part of the Petition in which I do not entirely concur, is the clause at the end of it, which ascribes the distresses of the Agricultural Interest, to the operation of what is commonly called Mr. Peel's Bill."

The very high respect I entertain for your character and talents, and the conviction upon my mind that not a single word falls from your lips, which does not make its impression throughout the whole country, induce me most reluctantly to take up my pen, to point out the error (pardon the expression) into which you appear to me to have fallen, in common with the Bul-

lion Committee in 1810, with Mr. Ricardo, and his disciples.

It is evident, from your subsequent remarks, that you, with the gentlemen before alluded to, take the price of bullion, not only as the index, but as the *exact* index of the *extent* of the artificial depreciation in the currency of the country.—It appears to me, that consequences of the most distressing nature are now in existence, and likely to be almost unlimitedly increased, by the adoption of this fatal error, by the Government and other persons of influence in the country, and therefore it becomes the duty of every man, so far as he may have it in his power, to endeavour to check the progress of so alarming an evil.

The high price of gold must by all be allowed to be an index of a depreciation in the currency, but every consideration of the subject, would, I should have imagined, before the present time, have convinced Mr. Ricardo and the gentlemen who think with him, that the price of gold, of itself, must be a very inaccurate and very insufficient index. The inaccuracy of it, excepting where two prices, a money price and a paper price, have been long established, and well adjusted to each other, has in every similar instance been great, but from peculiar circumstances, it has in our case been a peculiarly inaccurate measure of the extent of the disorder in the currency.

The price of gold, I doubt not you will agree



with me, depends on the state of the exchange. Bank notes being made legal tender,—the exchanges at par,—the price of gold will be at the mint price, or very nearly so. Let the exchange fall 5 or 10 per cent. the price of gold will inevitably rise. The question then which we have to examine, is, whether the exchanges may not be at par, and yet a great depreciation exist in the currency. That this may be and indeed has been the case, I think I cannot fail in convincing you, and at the same time proving, that the price of gold, which must be regulated by the state of the exchange, may or may not betray the depreciation in the currency, but under such circumstances must be a very inaccurate and insufficient index of the extent of it.

Mr. Cobbett is perfectly correct when he states, that the depreciation of the currency had commenced some time before the year 1797, the date of the Bank restriction act, and had proceeded to a very considerable extent afterwards, before the disorder became perceptible, either in the state of the exchanges, or in the price of bullion, but he has not, so far as I have observed, pointed out how this puzzling effect has taken place.

You will grant to me, probably, that if the exports and imports of the country be exactly equal, the exchange will in that case be at par. If the imports shall exceed the exports, then in a natural or metallic state of the currency, the

exchange will fall so low, as to cover the expense of exporting bullion to pay that balance; and if the exports exceed the imports, *vice versa*. This comprises, as I believe, the whole science of the exchanges, so often involved in mystery and verbiage. The natural effect, you will also allow to me, of an *extended* or *depreciated* currency, is to raise prices generally,---to curtail exports,---to disorder the exchanges,---produce a demand for, and an export of gold. If the currency consist of gold, this operation naturally corrects the superfluity in the currency, and keeps the equilibrium of the precious metals perfect through the world. If the currency should not consist of gold, but of paper not convertible into gold, then will arise that difference between the value of paper and gold, which Mr. Ricardo says is an *exact* index of the depreciation.

Permit me to remind you, that the second step in this progress, which causes the subsequent results, is the rise of price, and the consequent check to exports. If it were possible, then, to keep down the prices of exportable articles in any sufficient extent, in opposition to the natural operation of an extended currency to raise such prices, you will admit that the latter effects in the above series would not take place. Such an effect, it appears to me, has been produced in England, principally by two most powerful operations, the great improvements in our me-



chanical inventions, and the poor laws. The first (amongst which stand conspicuous the inventions of Sir Richard Arkwright, and those of Mr. Watt) was much more than adequate to meet the depreciation pointed out by Mr. Cobbett, as existing before the Bank restriction act, and it extended its effects some years after that restriction had taken place. But when the issues of the Bank were afterwards pushed out from *eight* millions to *twenty-eight* millions, and country banks had increased from *two* hundred, to upwards of *eight* hundred, great as was our progress in machinery, it was quite insufficient to produce manufactured and exportable articles so low as to induce exportation, and keep the exchanges correct without the use of bullion. Then came in aid the **POOR RATES**, out of which it is notorious a very large proportion of our manufacturing wages have at times been paid,—the overworking of children, and the stretch of human labour almost beyond human endurance. These powerful engines, assisted at the same time by the immense losses of our manufacturers and merchants, during the last ten years, all which tend to the same operation, had the effect of bringing manufactured goods so *cheap* into the market,—of keeping down the prices of exportable articles so *low*, as nearly and in the end entirely to rectify the exchanges, and to make a recurrence to gold for the payment of balances

unnecessary. In this state of things, gold, the *price of which must be regulated by the state of the exchanges*, becomes altogether nugatory as an *index* of the depreciation.

This appears to me to be the true theory of the circumstances which have influenced the rate of the exchanges and the price of gold, through the many years of the existing depreciation, and you will find it borne out by the whole history of this disastrous business.

After this short explanation,---take a list of the prices of the necessities of life in *general*, in this country, in the year 1790,---take a similar list of prices in France in the same year,---compare these lists with similar lists made out in any *subsequent* years, and you will as nearly as possible see the real *extent* of the depreciation at those periods. This scale you will find to *rise* and *fall* in exact conformity with the excesses of the Bank issues, and the increase of country banks. You will find nothing unintelligible, contradictory, or not perfectly easy of solution. On the other hand, the whole history of the Bank issues,---the variations in the price of bullion,---its sudden fluctuations,---its *high* price frequently when the Bank issues were *low*,---and its yet more frequent *low* price when the Bank issues were *high*, prove to mathematical demonstration, that Mr. Ricardo's index is any thing rather than correct, and that he is involved



by it in every variety of contradiction and difficulty.

The scale of depreciation, formed upon the basis of contrasting prices in *general* at different periods of time, is not only the true theoretical manner of looking at the question of the *extent* of a depreciation in the currency, but that of the greatest practical utility. In the year 1790, we were pretty near to the rest of civilized Europe in the prices of the necessaries of life, and if we are to be a great, independent, or happy nation, by some means or other, to nearly the same point we must return. The price of gold would be of little consequence, if the prices of provisions were as low here as they are in the other states of Europe, and could be maintained so, consistently with the well being and prosperity of all the parties concerned in producing them. It is true, a country *well* governed, and superior in the *freedom* of its institutions, may and generally will support a considerably higher scale of prices than other countries, but *cæteris paribus*, where subsistence is the highest in price, that nation must sink both in importance and happiness.

The magnitude of the subject, the extent of the mischief which has and will arise from considering gold as the *exact* index of the depreciation, has urged me thus far to trespass on

your time; of the value of that time, and the calls you have upon it, I am in some measure aware---but permit me, Sir, to make one further remark,---if this view of the subject be correct, and I cannot but think upon consideration you will find it so, when Mr. Peel's Bill was passed, the extent of the depreciation was not, as confidently stated again and again by Mr. Ricardo and the government, 3, or at the most  $3\frac{1}{2}$  per cent. but not less than *one hundred* per cent., and probably considerably more. If such could have been the *extent* of the depreciation in the currency at that time, and which, I think, the subsequent steady and uniform fall in prices *generally*, has fully and incontrovertibly proved, your constituents were well grounded in their complaint of the excessive misery produced by that *improvident* and therefore cruel bill. Upon comparing even present low prices, with those of 1790, and with prices at present existing abroad, and at the same time considering the yet extended issues of the Bank of England, and country banks, there is a perfect certainty afforded, that the country has not yet exhausted this bitter cup of suffering, and if it must be drunk to the very dregs, *under our present burthen of taxes*, no degree of desolation can be too great for probable anticipation.

Entreating your pardon for thus venturing to



obtrude myself upon your attention, on a subject,  
the importance of which will, I am sure, secure  
for it your fullest consideration,

I have the honour to subscribe myself,  
With the greatest respect and esteem,  
Your most obedient and most  
humble Servant,

T. PAGET.

*Humberstone, Feb. 20th, 1822.*

THE END.

The 8.<sup>th</sup> May 1870. - 10412. Cattle were sent up to Smithfield Market  
by a Leicestershire Waggon & Horse drawn. At 28905.  
in May 1872 - 9623. Cattle, belonging to the same  
farm brought at Smithfield. ————— 1060.  
£2. 15. 6. or 21. 2. each.



